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C O N F I D E N T I A L BUENOS AIRES 000834

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TAGS: [PGOV](#) [EAGR](#) [ECON](#) [EFIN](#) [INVI](#) [AR](#)
SUBJECT: ARGENTINA: FARM DEBATE(?) MOVES TO CONGRESS

REF: A. BUENOS AIRES 803
[1](#)B. BUENOS AIRES 797 AND PREVIOUS

Classified By: E. Anthony Wayne for reasons 1.4(b)and(d)

[1](#)1. (C) Summary: President Fernandez de Kirchner (CFK) took a step back from the precipice on June 17 and bought herself some breathing room in the 100-day old farm crisis by announcing she was sending the question of the sliding scale of export taxes ("retenciones") as a bill to congress for debate and vote. The Casa Rosada is counting on its comfortable majority in both houses of congress, and party discipline, to assure the bill is passed with no changes or amendments. The government has not backed down on the question (or amount) of the sliding export taxes and, therefore, not likely to satisfy the farm groups, particularly if the bill is seen to be pushed through the Congress with little or no debate and no chance for modification. Farm representatives and opposition politicians received the news as generally positive but are leery of the government's intentions. Much pressure now falls squarely on the shoulders of the Peronist party and allied legislators -- many of whom have large rural constituencies. Early analysis assumes that the government's numbers and discipline will hold and the bill will pass, but the force of public opinion is hard to gauge and anticipate. The lower house's Agriculture, Budget, and Finance and Commerce Commissions will begin studying the bill next week. Farm groups are meeting June 18 to decide whether to end or extend their strike, currently scheduled to end at midnight. The pro-government rally, also scheduled for June 18 in the Plaza de Mayo, will go forward as planned but is now being billed by the government and former president Nestor Kirchner as a rally for all Argentines in support of democracy. Some important Peronist leaders are likely to be absent as an indication of their open displeasure with the Kirchners' (mis)management of the farm crisis. In making her announcement, it is clear that CFK was very aware of the growing dissension in Peronist ranks and popular outcry. The decision to submit the issue to the legislature for a decision is also a sign that the more moderates in the Casa Rosada, e.g. CFK herself, Cabinet Chief Alberto Fernandez and Legal Advisor Carlos Zannini have, at least temporarily, held sway. An end to the conflict, however, is not yet in sight. End Summary.

A STEP BACK FROM THE PRECIPICE

[1](#)2. (C) In what could prove an important step in diffusing the 100-day old farm crisis, President Fernandez de Kirchner (CFK) announced on June 17 that she would send a bill on the question of the increased agricultural export taxes ("retenciones") for debate and vote that same evening to the

legislature. This move, she stated, is in direct response to a request by the farm sector in its meetings with the GoA. The draft legislation, however, does nothing to rollback or reduce the increased export fees implemented on March 11, which are at the root of the crisis. It nevertheless does address the demands of many that the issue be decided by the congress and has served to relieve, at least temporarily, the building tension between the Casa Rosada and the farm groups and truckers blocking highways, to quell some of the growing dissension in the Peronist party on the other, and apparently to diffuse some of the popular discontent that sent many thousands into city streets last Sunday and Monday nights. Some road blockages are likely to continue in the short term as they are not controlled by any one group, and, even if the roads clear, it will take some time for deliveries to return to normal since producers are likely to delay grain sales as long as possible.

REACTIONS

13. (SBU) Reaction from the farmers and opposition politicians has been guardedly positive, although all express skepticism over the government's intentions. Minister of Justice and Security Anibal Fernandez stated on June 17, that the legislature cannot amend or change the draft legislation and must either vote it up or down, for example. Opposition legislators generally welcomed the government's measure as a victory of constitutional governance but were critical that the GoA had delayed so long in sending the matter to congress. They are also calling for a full debate (implying the ability to amend or modify the bill) but they do not have the numbers to overrule the Casa Rosada's majority, if party discipline holds. They are also calling for the legislature to convoke the farm sector for consultations and input. Some Peronist legislators are also calling for a full debate. Salta Senator Romero, a Senate VP and no fan of the Kirchners, is arguing the legislature can invite many experts to share views on the export taxes, for example.

THE PROCESS

14. (SBU) The bill, submitted to the lower house on June 17 by Vice President and President of the Senate Julio Cobos, will follow normal, if expedited, procedures. Next week, the Agriculture, Budget, and Finance and Commerce Commissions will begin studying the bill. The house leadership could call for a joint commission meeting to accelerate the process through the issuance of a joint recommendation. The government has been careful to call the export "retenciones" "fees" rather than taxes. This is key to the government's strategy. By considering the increased levies on agriculture exports as fees, the government maintains control of their collection and disposition. If they are considered taxes, then they become the purview of the congress to legislate, and are therefore subject to "co-participation" with the provinces, which uses an established formula to distribute the raised revenues to the provinces. In articles 3, 4 and 5 of the draft legislation, the government anticipates the creation of a Social Redistribution Fund to distribute collected fees: 60 percent for the construction of hospitals and clinics; 20 percent for public housing; and 20 percent for rural roads. With favorable votes in those commissions, the bill will move to the floor for debate, where the government's majority can approve it with a simple majority.

FISSURES IN THE RANKS

15. (SBU) The GoA's measure follows on a long holiday weekend that witnessed a marked escalation in confrontations, tension and anxiety in Argentina. The temporary arrest on June 14 of vocal farm leader Alfredo De

Angeli and other farm protestors -- covered widely on TV and radio -- resulted in large, spontaneous demonstrations throughout Argentina's major urban centers -- including in the Plaza de Mayo and in front of the suburban official residence in Olivos. Protestors voiced as much their disapproval of the GoA's hardline tactics and refusal to negotiate as support for the farm cause. Once again, administration shock troops (friendly piquetero and union groups) mobilized to "retake" the streets, this time joined by Nestor Kirchner and senior GoA ministers in a raucous and off-putting show of support for the government. During the demonstration, vocal piquetero leader Luis D'Elia called for a pro-government rally on June 18, with Nestor Kirchner exhorting the faithful to "flood" the Plaza de Mayo. D'Elia told Argentines to "arm themselves" in support of the constitution. (D'Elia later walked back from the latter comment.) On June 16, D'Elia added fuel to the fire by claiming that former president and BA governor Eduardo Duhalde and other PJ dissidents were trying to organize a coup d'etat. Subsequently, even larger spontaneous demonstrations broke out on the evening of June 16 (a national holiday commemorating Flag Day). Unlike earlier public protests in Buenos Aires, where largely middle and upper-middle class Argentines took their pots and pans to the streets, this time the protests included some of the lower middle class sections of the greater Buenos Aires area. This was a clear signal of growing popular discontent with the Kirchner's handling of the conflict.

16. (C) The Kirchners' continued hardline approach to the 100-day farm crisis, while appealing to one core constituency and alienating another, has increasingly brought to the fore fissures among Peronists and in the GoA's governing coalition. A number of Senior PJ figures, legislators and governors, including Senator Carlos Reutemann and governors Juan Schiaretti, Mario Das Neves and former governors Felipe Sola and Eduardo Duhalde were openly calling for dialogue. There is a general anxiety among Argentines and some analysts that the dynamics of the situation were spiraling out of control and shortages of some foodstuff and other consumer goods, particularly fuel, were beginning to be felt in specific areas. Some PJ luminaries, PJ mayors in the greater Buenos Aires area, and even the pro-government union confederation CGT, alarmed by the ex-president's combative tone, had quietly called for the Casa Rosada to cancel the rally. Vice President Cobos issued a call for dialogue on Saturday and Radical party politicians who had followed him into the pro-government coalition quickly rallied to his words. We are told that in the Casa Rosada, President Christina Fernandez De Kirchner and advisors Alberto Fernandez and Carlos Zannini met Sunday and on the Monday holiday to consider the plan to send the issue to congress and to take a more moderate tone. We are also told that Nestor Kirchner was pressured into giving his press conference on June 17 in which he took a somewhat more moderate line and sought to distance himself from D'Elia's incendiary statements over the holiday weekend.

17. (C) Comment: The decision to send the measure to congress has helped to alleviate the building tension and appears to be a positive move by the government, if perhaps 90 days late. Although the decision will not likely satisfy the farmers on the issue of the increased export fees, it does shift the debate (and responsibility) to the congress, where it probably properly belonged. With the Kirchners' majorities in both houses, however, the field is still tilted in the government's favor. The government will, nevertheless, have to work to ensure that members of its majority do not break ranks, since legislators from rural areas will come under heavy pressure from their neighbors, and may have to choose between the government and being able to return home during the next few months. It also helps take some of the air out of the opposition's and farmers' complaints of the Kirchners' authoritarian style. If the government also decides to move some of the other pending farm legislation in congress, such as the bill to re-establish a government-controlled grains export board, the farmers ire will again be inflamed.

18. (C) The upcoming debate and vote in the Congress will be the first real test of the Kirchner's ability to maintain party discipline on a domestically controversial issue. In the First Couple's unwillingness to yield, some believe the Kirchners' may have expended too much political capital losing the public, party, and coalition support that they have built up by careful use of government funds and have commanded for the last several years. Some analysts argue that the Kirchners may not be able to paper over all of the differences this issue has caused within the party and coalition. However, the government calculates that it is risking little, and is assuming its numbers in congress will hold. This issue, however, is not likely over. If the legislation supporting the increased export fees passes as is, it makes sense that the farmers and opposition will challenge the constitutionality of the measures on a number of grounds. Already the Supreme Court has decided to hear a case brought by San Luis Governor Rodriguez Saa, who argues the fees are, in fact, taxes and therefore subject to co-participation, and the Farm groups have vowed to file more cases. For its part, the government continues to issue new farm regulations and undertake regulatory investigations aimed at complicating farmers lives. The spirit of peace is not yet in the air.

WAYNE